

CHARLOTTE TOWN AUDITORS

Minutes: December 10, 11 and 14, 2012

Monday, December 10, 2012:

Meeting began at 6 pm at the Charlotte Town Hall. Town Auditor Patrice Machavern joined the Selectboard, professional auditors Bonnie Batchelder and Patricia Ristau, Treasurer of CVFRS Ed Sulva and Town Treasurer Mary Mead in a review and discussion about the draft reports of the forensic audit of CVFRS conducted by Batchelder Assoc. Town Auditor Nancy Wood arrived at 6:10 pm. The open meeting was attended by many CVFRS volunteers and other members of the public.

Reports discussed included:

1. Agreed-upon Procedures Report for Patient Billing dated November 8, 2012, subsequently updated December 6, 2012.
2. Agreed-upon Procedures Report for Accounts Payable Special Funds Accounts, dated November 8, 2012, subsequently updated December 6, 2012.

Batchelder and Ristau responded to questions and agreed to various clarifications and revisions. Batchelder said they would send one more draft taking into account the input of this meeting.

The Agreed-upon Procedures Report for Accounts Payable Operating Funds was not addressed.

Ed Sulva asked Batchelder, "Was there any fraudulent activity" found during the audit? Batchelder responded, "No, there was not."

Also reviewed by the group was the draft audit by Batchelder Associates of the CVFRS Financial Statements for FY 2012. Ed Sulva said that the board of CVFRS had not yet discussed the statements, so he will bring it to them to review.

At 7 pm the Town Auditors' meeting was ended with a motion to postpone to Tuesday, December 11, 2012, at 10 am at the Town Hall.

December 11, 2012:

Present: Town Auditors Patrice Machavern and Nancy Wood, Selectboard Chair Charles Russell.

Meeting began at 10:05 am.

Other Business: The Agreed-upon Procedures Report for CVFRS Patient Billing was discussed in detail with a copy marked up with suggested changes and clarifications to be sent to Batchelder Associates.

The meeting was ended at 11:35 am with a motion to postpone again to 1 pm Friday, December 14, 2012, at the Town Hall.

December 14, 2012:

Present: Town Auditors Patrice Machavern, Selectboard Chair Charles Russell and Selectboard Assistant Dean Bloch.

The meeting began at 1:05 pm.

Other Business, continued:

The Agreed-upon Procedures Report for CVFRS Accounts Payable Special Funds was reviewed in detail, and a marked-up copy was prepared with suggested changes and clarifications to be sent to Batchelder Associates.

The Agreed-upon Procedures Report for CVFRS Accounts Payable Operating Funds was not discussed, but it was agreed that it would be reviewed by the Town Auditors individually and any comments forwarded to Bloch.

The CVFRS Financial Statements for FY 2012 were then reviewed in detail, with questions and suggested changes to be conveyed by Bloch to Batchelder Associates.

Review of Town Special Accounts:

Russell and Bloch left the meeting and the Town Auditors continued with a discussion of the review of Town Special Accounts done by Wood during the Fall. The report is attached to these minutes. The conclusion with respect to all the special accounts was that Town Treasurer Mary Mead does an excellent job documenting information about deposits and expenditures, and reconciling the accounts. The one area of concern is the apparent difference in the amount of revenue received from Medicare for CVFRS for Patient Billing that is direct deposited in the Capital Projects Account, and the amount of revenue for the Capital Projects Fund that is identified on Exhibit IV of the Town draft Financial Statements for FY 2012 prepared by Batchelder Associates. Questions about this have been e-mailed to Bonnie Batchelder.

Calendar for 2013:

The 2013 Annual Meeting was set for 10 am on January 11, 2013. The final audit reports will be reviewed at that time and the Town Auditors' report prepared for the Town Report.

No dates were set at this time for subsequent meetings, but it is anticipated that the Town Auditors will meet in joint session with the Selectboard in June when Batchelder Assoc.

conducts a preliminary audit, July when the tax rate is set, and in the Fall to review FY 2013 draft audits.

The meeting was adjourned at 3 pm.

Respectfully submitted,
Nancy Wood, Secretary

Attachment: Review of Town Special Accounts

October 29, 2012

Review of Special Accounts

- 20 Funds Reviewed
 - 14 Special Reserve Funds
 - One “Other Governmental Fund” (Conservation Fund)
 - One Expendable Trust Fund (Tim Serrell)
 - Four Agency Funds (TP Operating, TP Sinking, Subdivision Escrow, After School Ski Program)
- Capital Project Fund (Fire & Rescue) unavailable for review (at Batchelder)
- Bank statements for all of the reviewed funds were reconciled as of September 30, 2012.
- One fund (Thompson’s Point Operating) was unreconciled in July; issue resolved in August.
- June 30, 2012, balances generally matched the Batchelder audit numbers. Some minor discrepancies, mostly due to June interest (received in July) not always included in the June 30 balances. Handwritten notes and NEMRC detail transactions reports clarify the differences.

December 11, 2012

Follow-up: Review of Capital Project Fund

The Capital Project Fund is used for capital purchases for Charlotte Volunteer Fire & Rescue Services. Also, Medicare payments for rescue calls by the Rescue Services are direct deposited into the Capital Project Fund bank account. From there, Mary Mead transfers them to the General Fund Fire & Rescue revenue account.

A continuing issue has been the discrepancies between the Patient Billing totals in the Town Financial Statements and the Fire & Rescue Financial Statements. This question has been raised every year at audit time, as there has been a difference in the audited totals every year that I’ve been a Town Auditor. There is again a difference in the FY 2012 draft audit statements for the Town and for Fire & Rescue. Perhaps one of the reasons is in the complicated way the Medicare payments are handled. In Exhibit IV of the draft financial statements for Town audits, these Medicare payments appear to be booked as “Permits, Fees and Misc” revenue, and then they appear to be expensed as a “Public Safety” expenditure.

The review of the fiscal year 2012 statements for the Capital Project account indicated that the amount direct deposited in the account from Medicare during FY 2012 totaled \$40,033.05, according to my calculations. In addition, during FY2012, a donation of \$1,000 from Al Martin was deposited. However, the revenue amount for the Capital Project Fund in Exhibit IV of the FY2012 Town draft audit is \$38,064. I tried to reconcile it with the actual payments received by that account, and was not able to. The Al Martin donation is not separately identified as a donation.

Also, a \$3,264.65 transfer out of the Capital Project Fund made in July 2012 that was for May 2011 Medicare receipts was not reflected in an adjustment to the FY2011 (June 30, 2011) audited fund balance for this account, which would suggest that this FY2011 patient billing revenue is included in the FY2012 Fire & Rescue patient billing revenue to the Town. This may be part of the discrepancy between the Town FY 2012 total of \$108,620 and the Fire & Rescue total of \$101,916. It is not clear on the Fire & Rescue statement whether this amount includes the 8% fee to Newport Ambulance Services.

Going forward, if, as recommended by Batchelder Associates, all Patient Billing payments – including the Medicare payments - are deposited directly in the Fire & Rescue Corp. account managed by Mary Mead, the year to year discrepancies between the Fire & Rescue and Town statements might end. Also, it would be clearer if, on the Fire & Rescue financial statement, there were two separate lines for Patient Billing Fees paid to Newport and Patient Billing payments to the Town.

Nancy Wood
Town Auditor